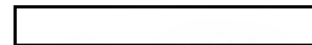


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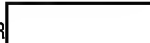


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CENTRAL INTELLIGENCE AGENCY



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1. LAOS PRESSED FOR DIPLOMATIC EXCHANGES WITH USSR AND POLAND

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The USSR and Poland are now pressing the Laotian government to exchange diplomatic representatives on the basis of negotiations undertaken by Premier

Souvanna Phouma during his earlier tenure, according to Foreign Minister Phoui Sananikone.

Souvanna has been negotiating with both countries for "some months," according to Phoui, and the Laotian government has recently received Soviet agreement for the appointment of its ambassador in France to be concurrently ambassador to the Soviet Union, as requested by Souvanna over a year ago. In addition, the Polish truce commissioner has presented a letter from his government, ostensibly in line with an earlier request by Souvanna, granting de facto recognition to Laos and has suggested the way is now clear for an exchange of envoys.

Phoui states he had been completely uninformed on both these moves of Souvanna, and now is in a quandary over the situation.

Comment

Last November, as a result of Soviet action in Hungary, the Laotian cabinet reversed a decision to exchange representatives with the USSR.

Souvanna may have sought an exchange of representatives with bloc countries in the hope of improving the climate of negotiations with the Pathet Lao, who have insisted on a neutral foreign policy. In his earlier tenure, however, Souvanna had a freer hand in determining Laotian policy; Phoui and Interior Minister Katay, leading anti-Communists of the two-party alliance which formed the present government, are now consolidating their power in the national assembly.

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2. HATTA'S VIEWS ON COMMUNIST THREAT TO INDONESIA

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Former vice president Hatta told Ambassador Allison on 31 August that he saw no danger of a Communist take-over in Indonesia in the immediate future. In support of this view, he pointed to the Communists' present minority in parliament, the generally anti-Communist attitude of the army, and the lack of vigorous Communist leaders.

Hatta felt, however, that in the long run the Communist threat could become critical unless there was improvement in the economic situation in central and east Java, and unless leaders of the National party became convinced of the danger of cooperation with the Communists.

Hatta apparently believes that the best that can be expected of the national round-table conference starting on 10 September in Djakarta is an improvement in relations between dissident leaders and the government to the point that additional time will be permitted to work out their disagreements.

Comment

Recent Communist party gains in local Java elections indicate that it enjoys effective direction even though none of its leaders is a dynamic public figure.

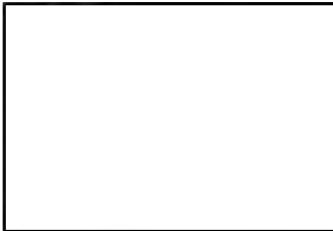
Some National party leaders reportedly favor ending the party's cooperation with the Communists, but a split apparently is continuing between the older leaders, who developed the Communist association, and younger leaders. The economic situation in Java is rapidly deteriorating without much hope that this trend will be reversed.

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3. COMMUNIST-INSPIRED GENERAL STRIKE REPORTEDLY PLANNED IN ECUADOR

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A Communist-inspired general strike in Ecuador, reportedly planned for early September, could paralyze the Ecuadoran economy and challenge the stability of President Ponce's Conservative regime. [REDACTED]

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The Communist-oriented oil workers' federation is affiliated with the Communist-oriented Confederation of Ecuadoran Workers (CTE), Ecuador's leading labor federation, which in turn is an affiliate of the Communist Confederation of Latin American Workers and World Federation of Trade Unions. Staunchly anti-Ponce, the CTE might endorse a general strike and its Communist-penetrated railway union affiliate would probably support it, because the government has recently discharged 2,000 railway workers.

The government, however, has been alerted to the potential danger of the strike and has promised to apply force if necessary to back the American company's dismissals.

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4. AUSTRIAN CHANCELLOR CAUTIOUS ON PROPOSED TRIP TO MOSCOW

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[REDACTED] Austrian Chancellor Julius Raab told the American embassy in Vienna on 29 August that for a variety of reasons he now thinks he will postpone until

early next year his prospective visit to Moscow to discuss a scaling down of Austrian reparations deliveries. He implied that Moscow's informal offer to engage in confidential personal negotiations would not justify an official visit in Austrian eyes, and added that, in any case, internal political problems would preclude his making the trip this fall. He expressed a belief that the present governmental situation in Moscow is not sufficiently stable.

The chancellor remarked as an afterthought and with evident dissatisfaction that Soviet Ambassador Lapin had recently had his first visit with Socialist Vice Chancellor Pittermann.

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[REDACTED]

In any case, he is apparently worried that acceptance of Moscow's offer to negotiate with him personally on a 50-percent reduction in reparations might revive suspicions that he is incautious in dealing with the Soviet Union. His distress over the Soviet ambassador's approach to Pittermann again suggests that Raab's interest in the negotiations is motivated in part by a desire to claim partisan credit for any concessions gained.